

# STRONG FINANCING FUNDAMENTALS

CITYCON CAPITAL MARKETS DAY 16 MAY 2017, ISO OMENA  
CFO, EERO SIHVONEN





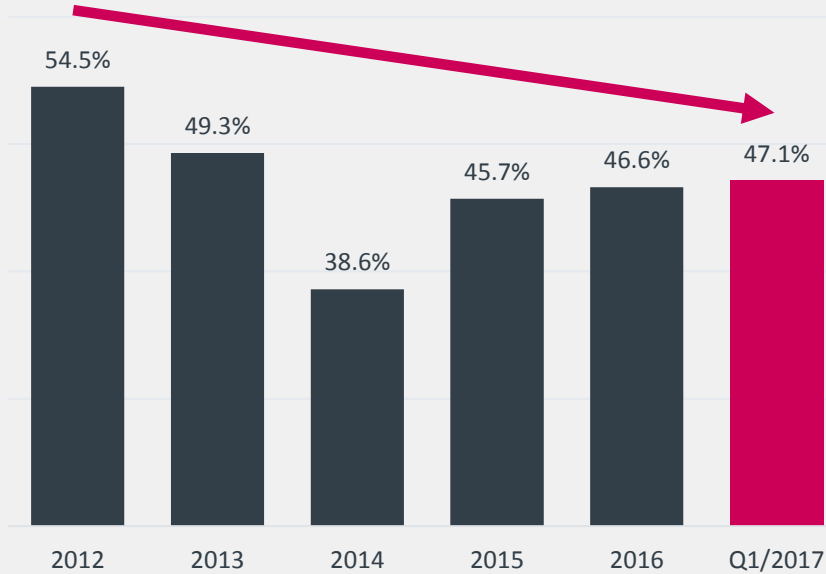
## MAIN FINANCING TARGETS

- Loan to Value 40-45% - 47.1%
- Average maturity of loan portfolio > 5 yrs ✓ 5.2
- Debt portfolio's hedge ratio 70-90% ✓ 91%
- Strong investment-grade credit ratings ✓ BBB/Baa1
- Financing mainly unsecured ✓ 95%
- Substantial liquidity buffer ✓ MEUR 560

**Conservative business model matched  
by conservative financing targets**

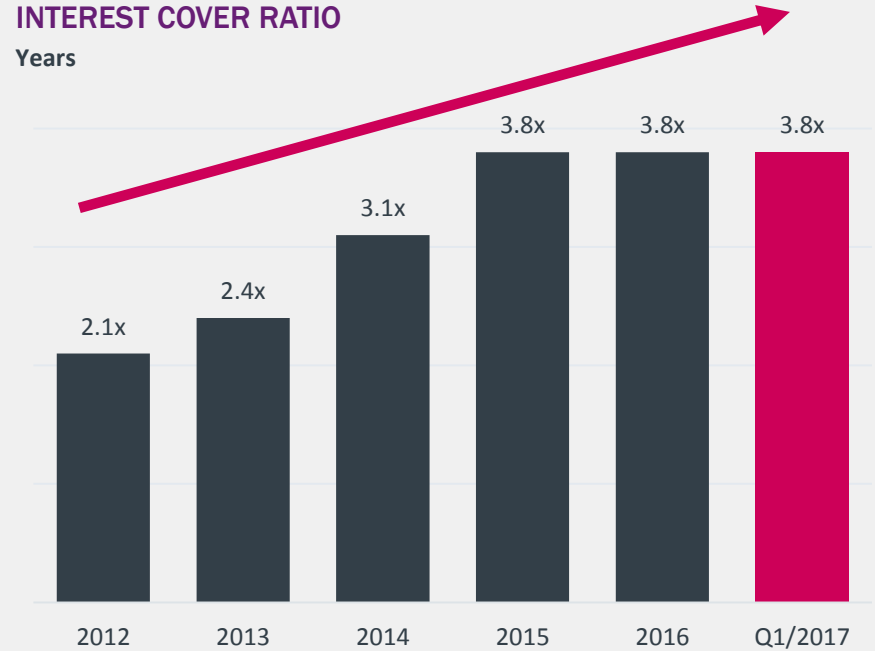
# REDUCED LTV AND STRONG ICR

## LOAN TO VALUE (LTV)



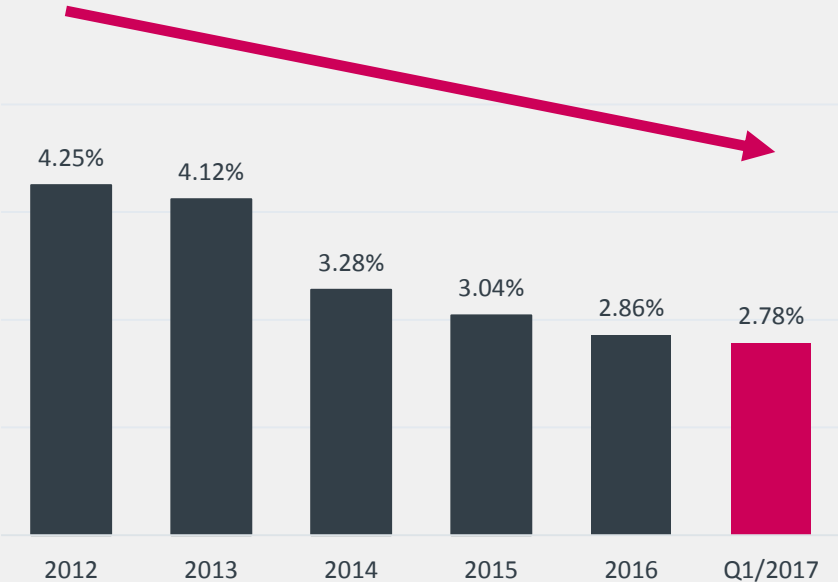
## INTEREST COVER RATIO

Years

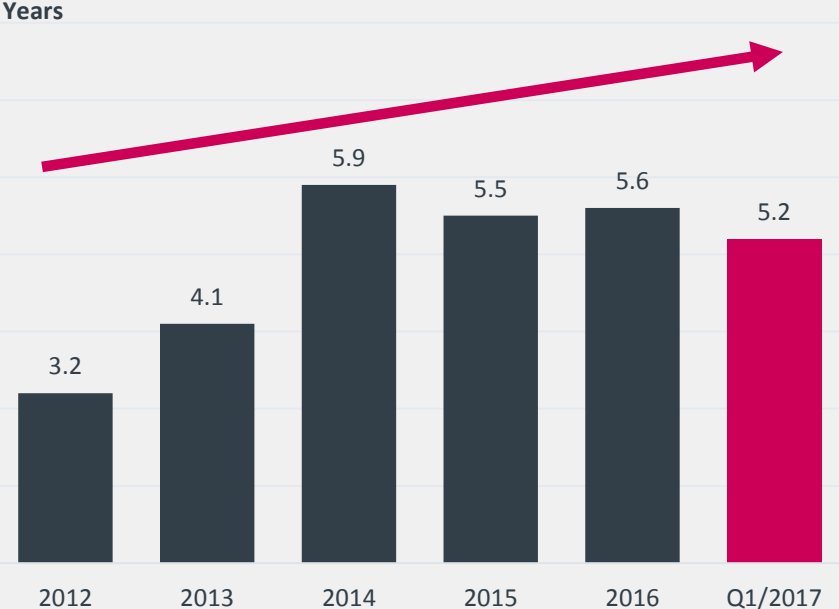


# LOWER AVERAGE INTEREST RATE AND CONSERVATIVE LOAN MATURITY

WEIGHTED AVERAGE INTEREST RATE



AVERAGE LOAN MATURITY



# THE FIRST FREQUENT REAL ESTATE BOND ISSUER IN THE NORDICS

MOODY'S

Baa1

*“Excellent geographic exposure, good industry diversification and moderate tenant concentration. Moderate development pipeline”*

STANDARD  
& POOR'S

BBB

*“Citycon's strong business risk profile reflects our view of the company's €4.7 billion portfolio of resilient retail property assets, diversified across the Nordic region”*

**Ratings confirm successful execution of strategy  
and stable business model**

Factor 1: Liquidity and Funding (24.5%)		
	Measure	Score
a) Liquidity Coverage	Ba	Ba
b) Debt Maturities	A	A
c) FFO Payout	70%	Baa
d) Amount of Unencumbered Assets	97%	A
Factor 2: Leverage and Capital Structure (30.5%)		
a) Debt / Gross Assets	44%	Baa
b) Net Debt / EBITDA	10.9x	Caa
c) Secured Debt / Gross Assets	3%	Aa
d) Access to Capital	Baa	Baa
Factor 3: Market Position and Asset Quality (22%)		
a) Franchise / Brand Name	A	A
b) Gross Assets(USD Million)	\$5,475	Baa
c) Diversity: Location / Tenant / Industry / Economic	A	A
d) Development Pipeline	6%	A
e) Asset Quality	A	A
Factor 4: Cash Flows and Earnings (23%)		
a) EBITDA Margin (YTD)	63%	Baa
b) EBITDA Margin Volatility	5%	Baa
c) EBITDA / Fixed Charges (YTD) [4]	3.2x	A
d) Joint Venture Exposure (YTD)	11%	Baa
Rating:		
a) Indicated Rating from Grid		Baa1
b) Actual Rating Assigned		

## MOODY'S:

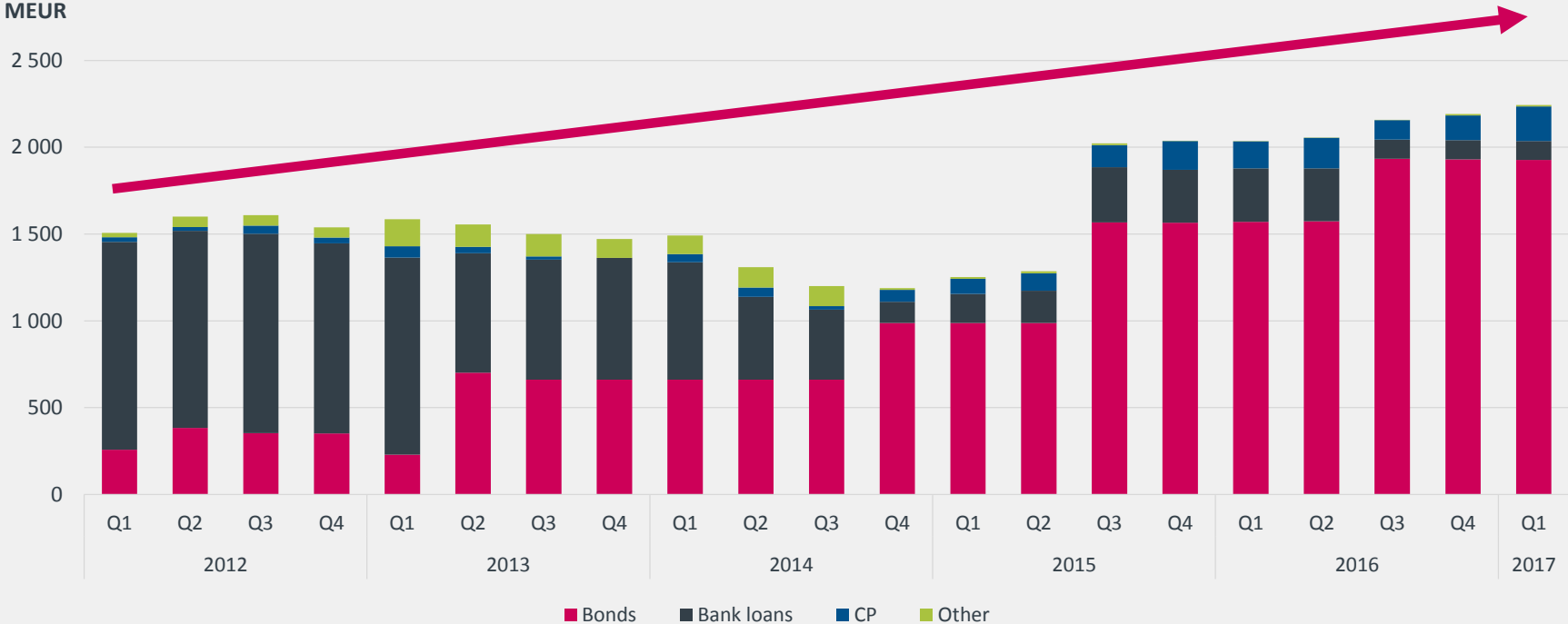
“Solid liquidity underpinned by a fully unencumbered asset base and excellent debt maturity profile”

“Good franchise value in the Nordics’ shopping centre market”

“High quality shopping centre portfolio”

“Somewhat elevated leverage but expected to improve”

# SHARE OF FINANCING THROUGH CAPITAL MARKETS INCREASED FROM 15% TO 90%



# FREQUENT ISSUER, DEMONSTRATED ACCESS TO BOND MARKETS

	Issued amount, million	Interest, p.a.	Maturity, years	Issue date	Maturity
Eurobond	EUR 350	1.25%	10	9/2016	9/2026
Eurobond	EUR 300	2.375%	7	19/2015	9/2022
NOK bond	NOK 1,400	3.9%	10	9/2015	9/2025
NOK bond	NOK 1,250	3-mth Nibor + 155 bps	5.5	9/2015	3/2021
Eurobond	EUR 350	2.50%	10	10/2014	10/2024
Eurobond	EUR 500	3.75%	7	6/2013	6/2020
<del>Finnish Bond</del>	<del>EUR 150</del>	<del>4.25%</del>	<del>5</del>	<del>5/2012</del>	<del>5/2017</del>

**REPAID**

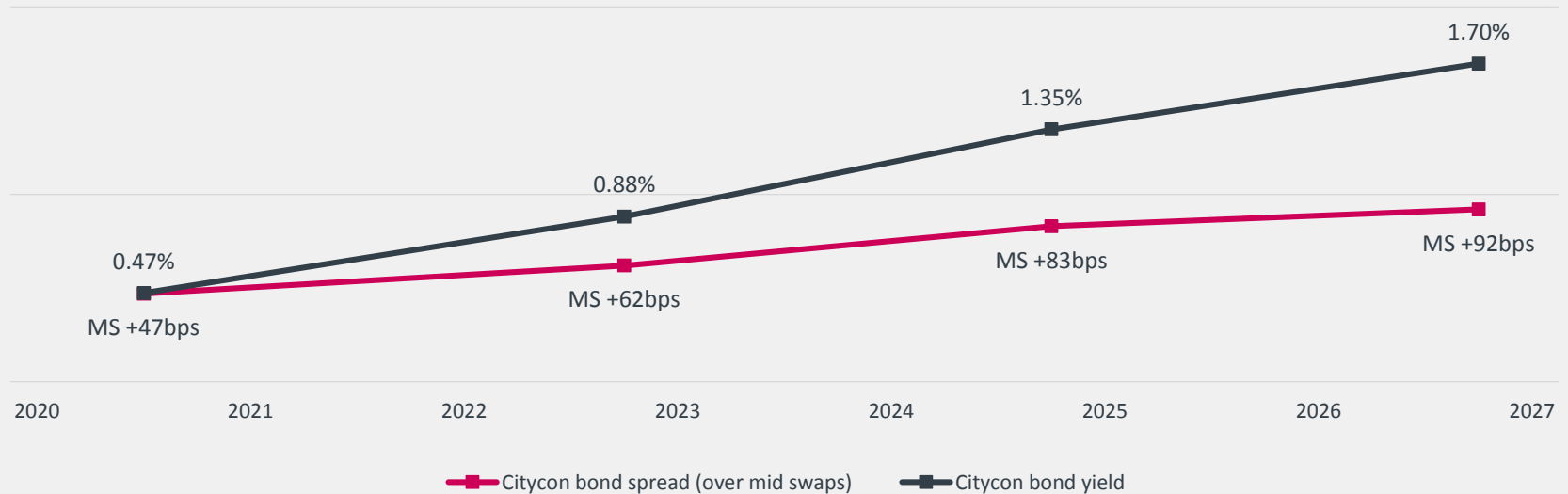


**CITYCON**



# BOND FINANCING REMAINS ATTRACTIVELY PRICED

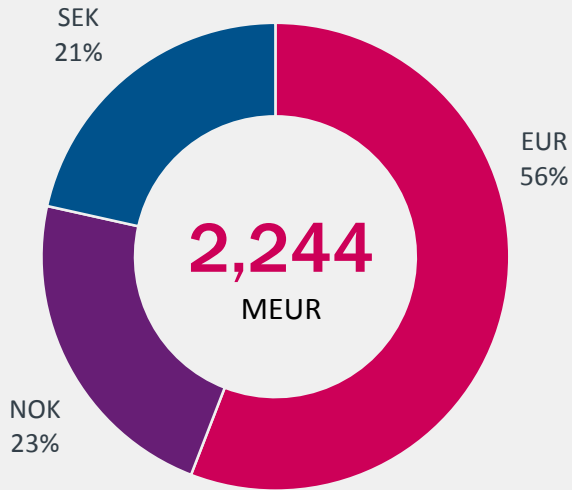
## OUTSTANDING EUROBONDS SECONDARY LEVEL



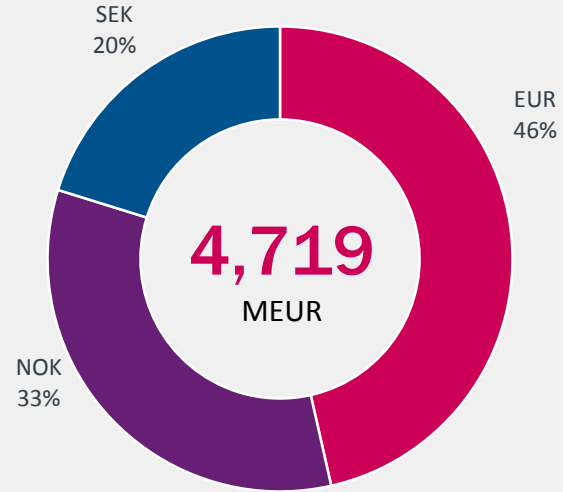
Source: Bloomberg 9 May 2017

# CURRENCY MATCHED ASSETS AND LIABILITIES

## DEBT BREAKDOWN BY CURRENCY



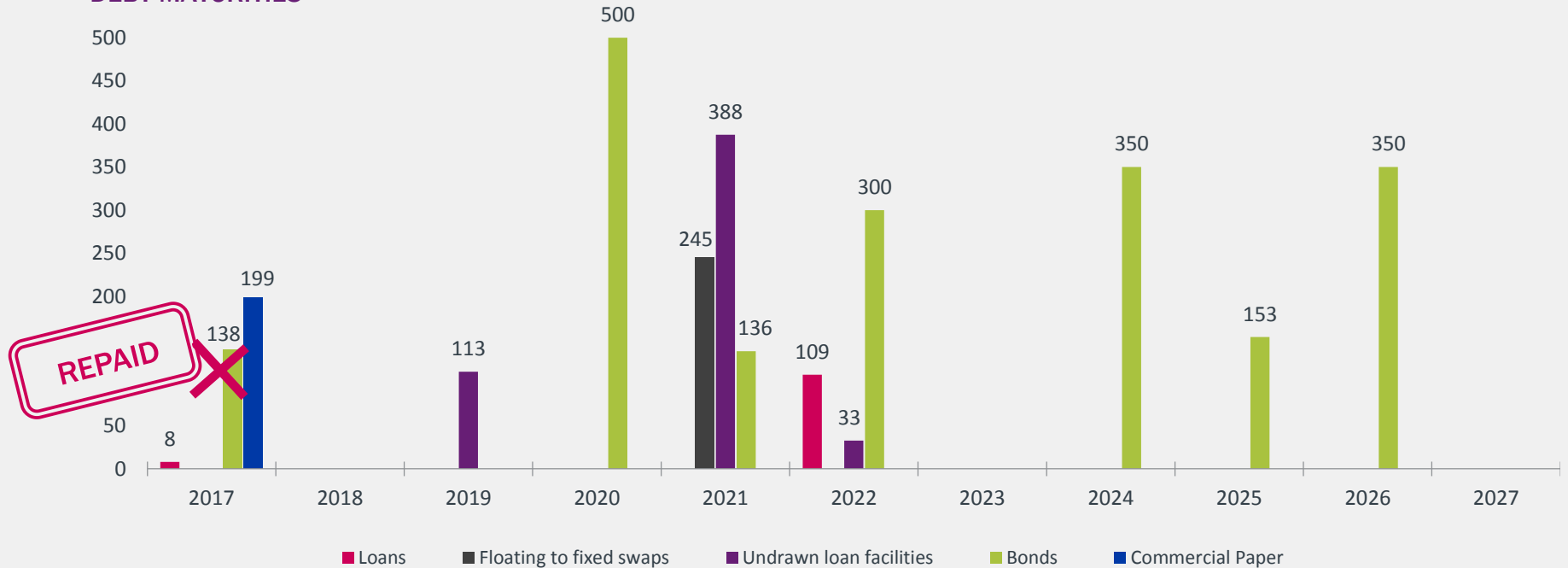
## ASSETS BY CURRENCY



As per Q1/2017  
Excluding Kista Galleria  
Including cross-currency swaps

# BALANCED MATURITY PROFILE WITH LONG AVERAGE LOAN MATURITY

## DEBT MATURITIES



As per Q1/2017

# Q1/2017 FINANCIALS



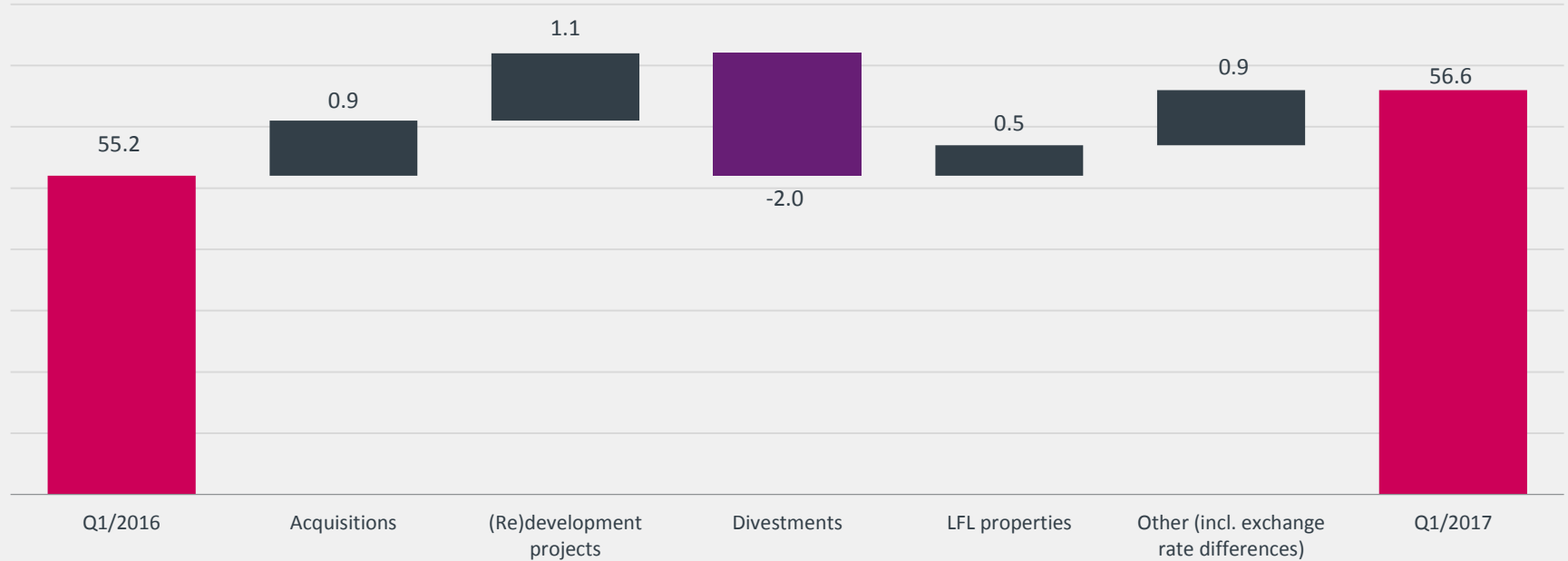


## STABLE FINANCIAL RESULTS

MEUR	Q1/2017	Q1/2016	%	2016	2015	%
Gross rental income	66.1	63.3	4.4	251.4	223.9	12.3
Net rental income	56.6	55.2	2.5	224.9	199.6	12.7
Direct operating profit	50.3	47.9	5.0	198.5	175.4	13.2
EPRA Earnings	38.3	36.0	6.6	151.1	130.8	15.5
EPRA EPS (basic)	0.043	0.040	6.6	0.170	0.173	-1.9
EPRA NAV per share	2.83	2.78	1.7	2.82	2.74	3.2

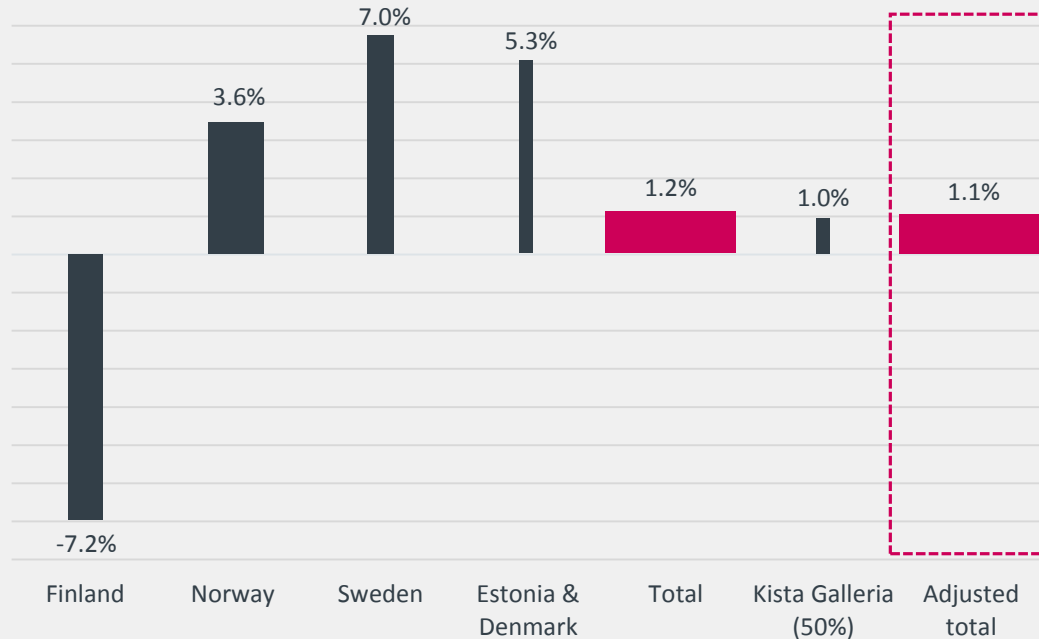
# (RE)DEVELOPMENT PROJECTS AND DISPOSALS MAIN DRIVERS OF NET RENTAL INCOME DEVELOPMENT

NRI DEVELOPMENT  
MEUR



# POSITIVE OVERALL LIKE-FOR-LIKE NRI GROWTH, NON-CORES IN FINLAND STILL UNDER PRESSURE

LIKE-FOR-LIKE NET RENTAL INCOME GROWTH, Q1/2017



The width of each column refers to the weight of the business unit in Citycon's portfolio.

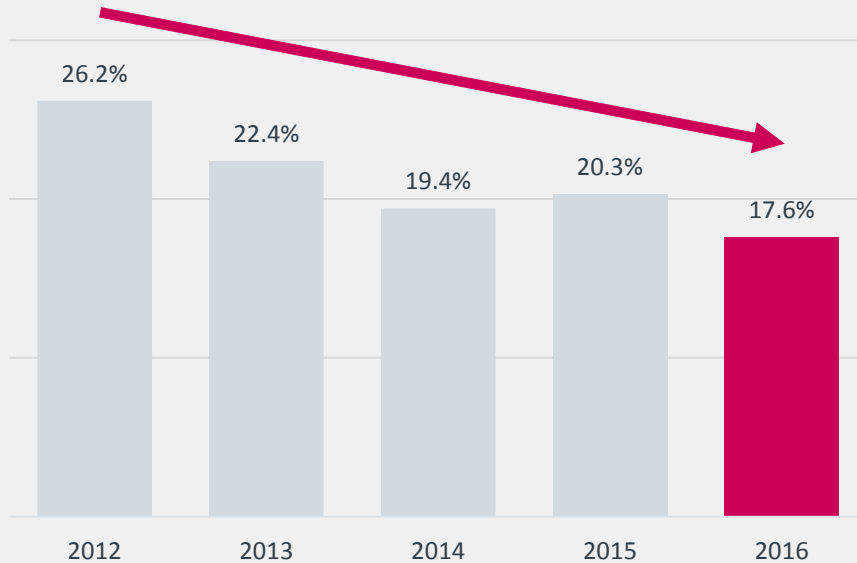
- Strong shopping centres in the Helsinki area (Iso Omena, Myyrmanni, Lippulaiva) all under (re)development
- The like-for-like portfolio in Finland represents only 39% of the total value of the Finnish portfolio

**LONG-TERM LIKE-FOR-LIKE NRI  
GROWTH TARGET 100 BPS ABOVE  
INFLATION**

# STEADILY IMPROVING EPRA COST RATIO

## EPRA COST RATIO

Including direct vacancy costs



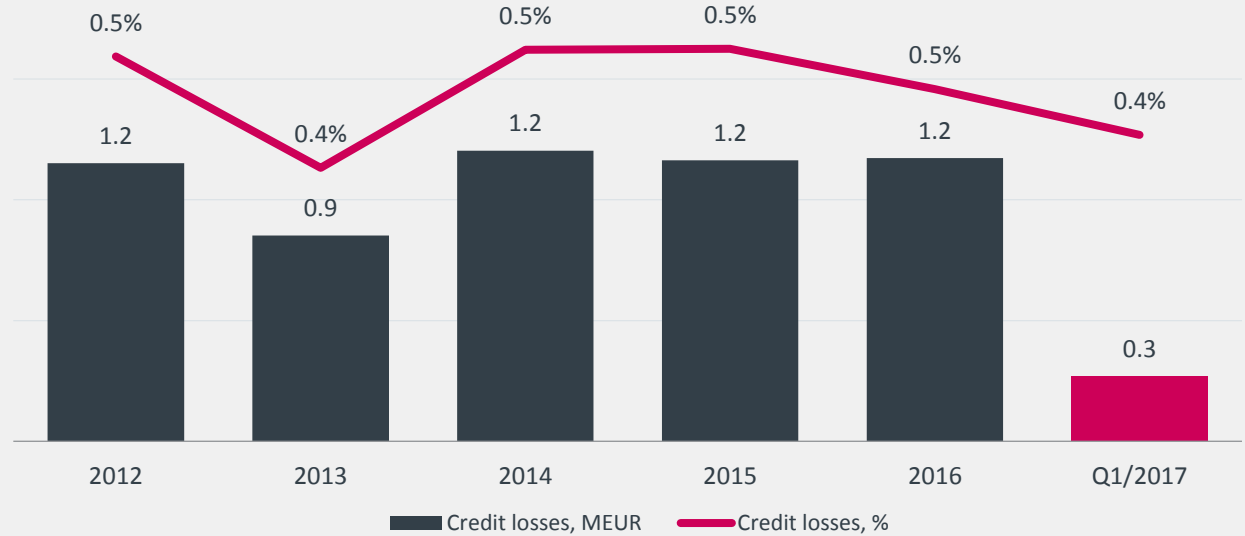
Improved cost efficiency over the years

- Tight cost control, several cost reduction projects executed
- Increased tenant recharging to reduce leakage





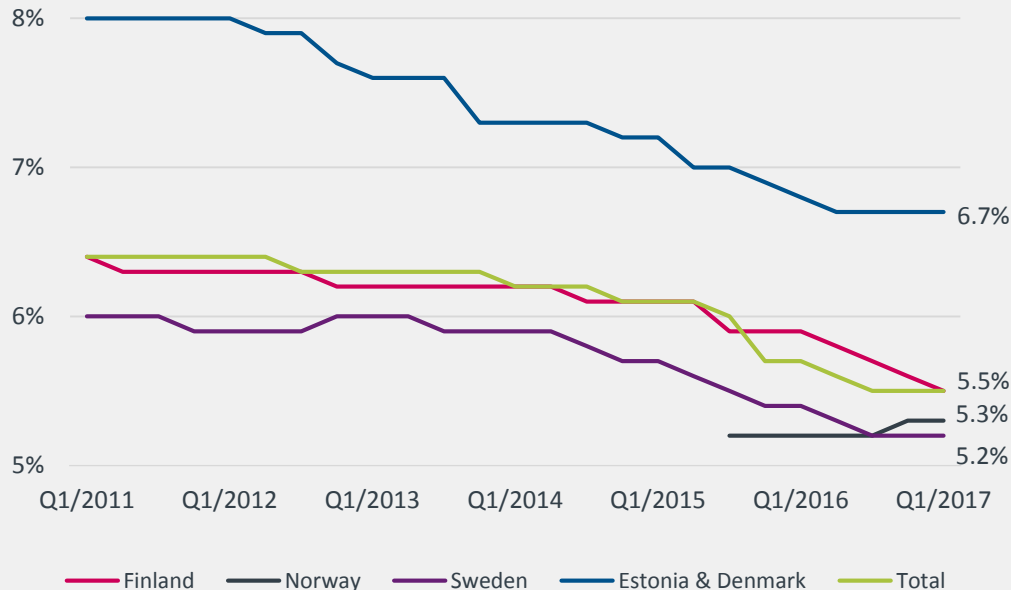
## CREDIT LOSSES APPROX. 0.5% OF GROSS RENTAL INCOME



Currency adjusted

# VALUATION YIELDS REFLECT PORTFOLIO QUALITY IMPROVEMENT AND YIELD COMPRESSION

## VALUATION YIELD DEVELOPMENT <sup>1)</sup>

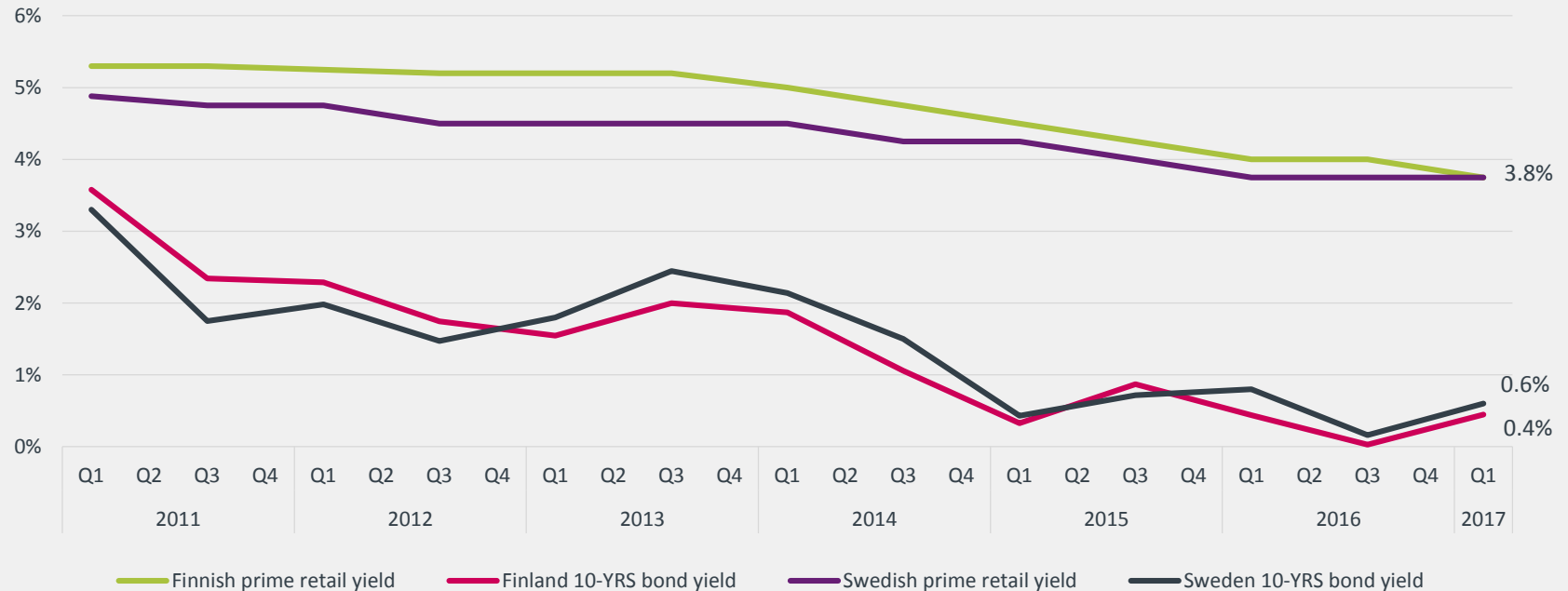


- Weighted average yield requirement 5.5%
- The impact of the planned Swedish corporate tax change to real estate companies operating in Sweden does not currently affect Citycon's valuations
- From 2017 onwards two full external valuations and two internal valuations per year

<sup>1)</sup> Excluding Kista Galleria

# LARGE SPREAD RETAIL YIELDS VS 10-YEAR GOVERNMENT BONDS

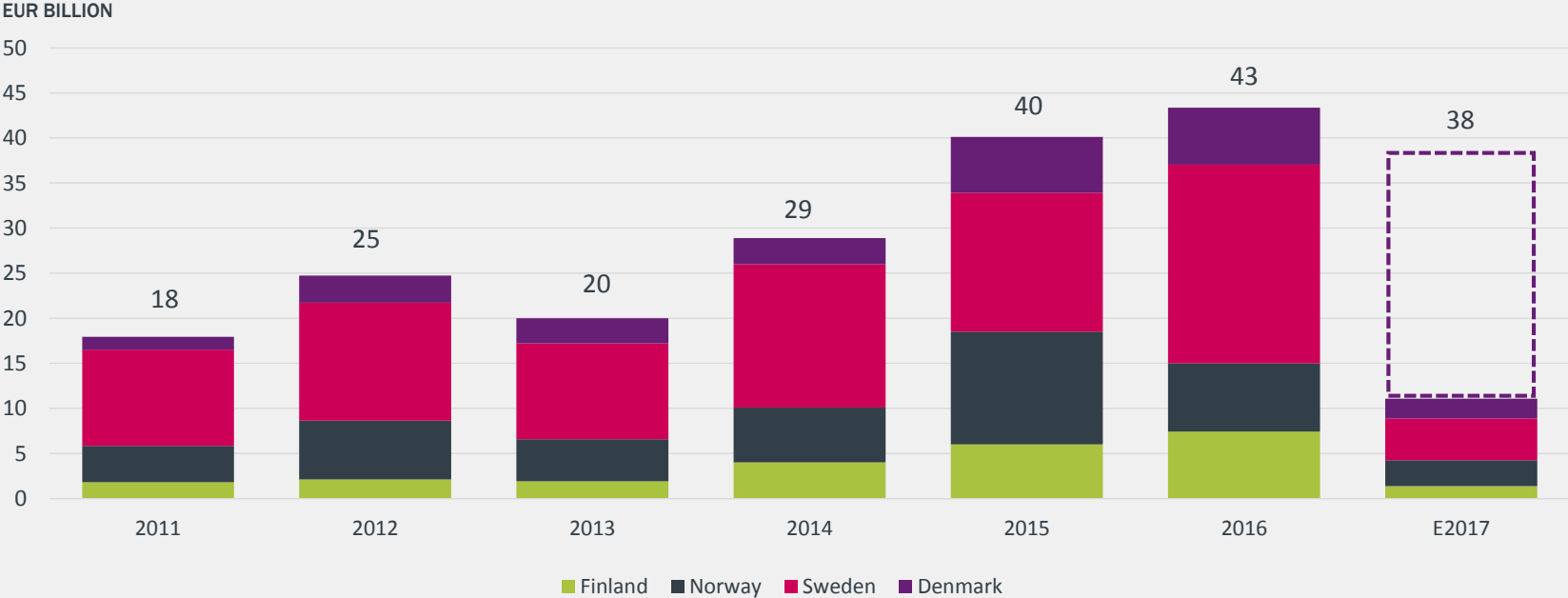
RETAIL PRIME YIELDS VS. 10-YRS GOVERNMENT BOND



Source: CBRE and Reuters

# HIGH VOLUME OF REAL ESTATE TRANSACTIONS SUPPORT NON-CORE DISPOSAL STRATEGY

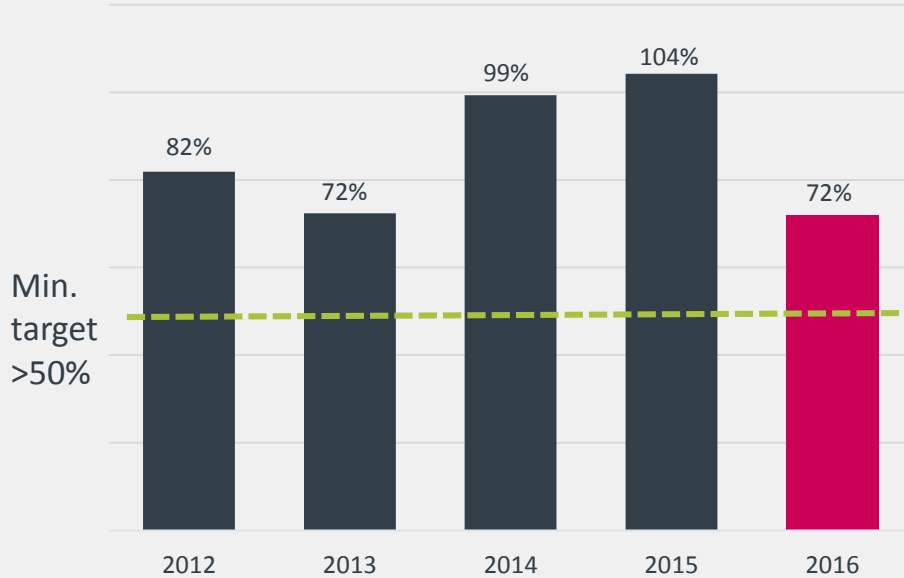
## NORDIC INVESTMENT VOLUME



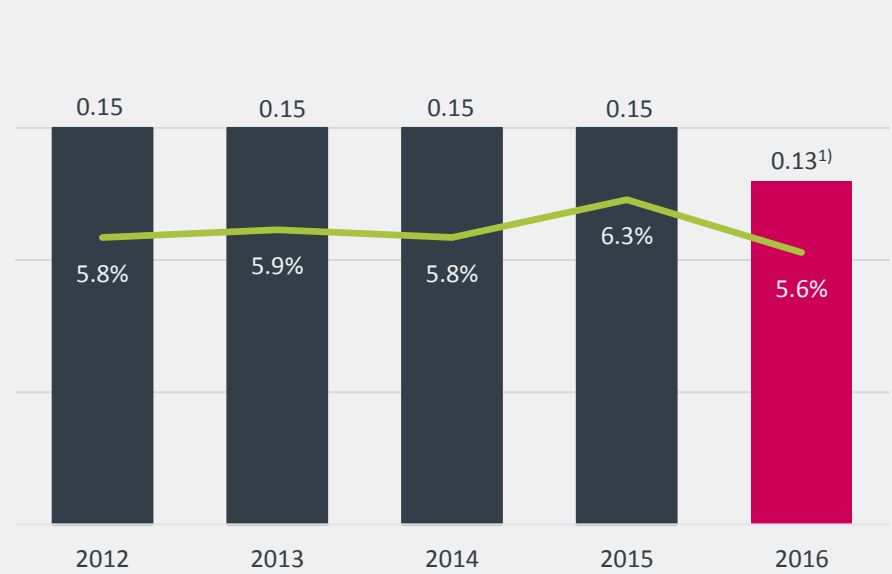
Source: Pangea Property Partners

# ATTRACTIVE DIVIDEND YIELD MAINTAINED

DIVIDEND & EQUITY RETURN AS %  
OF EPRA EPS



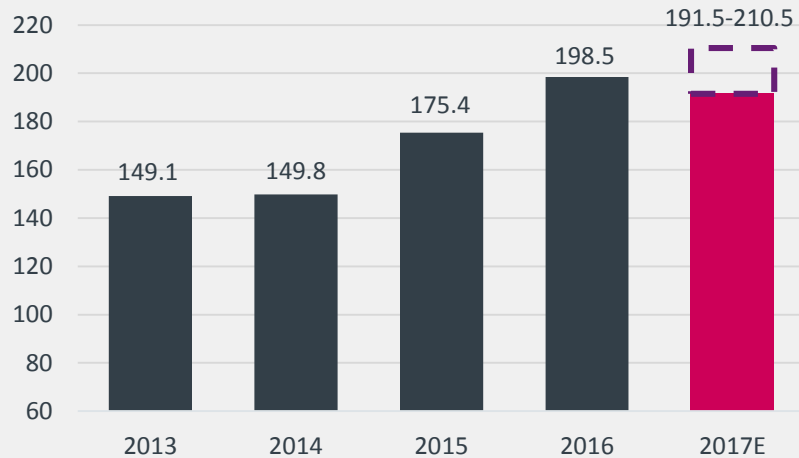
DIVIDEND & EQUITY RETURN YIELD



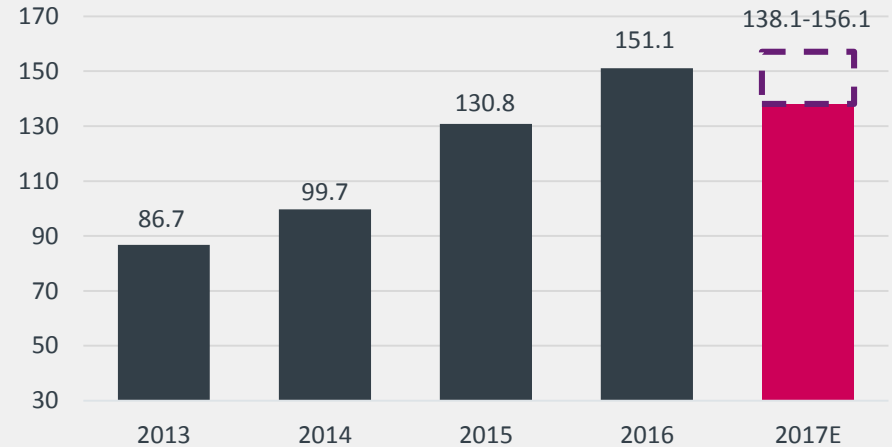
<sup>1)</sup> Proposal

# OUTLOOK 2017

## DIRECT OPERATING PROFIT



## EPRA EARNINGS



- Direct operating profit      MEUR -7 to 12
- EPRA Earnings                MEUR -13 to 5
- EPRA EPS (basic)            EUR 0.155-0.175

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